

RESEARCH STATEMENT

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My research is in the area of financial intermediation. In particular, I focus on securitization, and how changes to secondary market infrastructure, for example via regulation or market conventions, affect primary market credit supply, household and firm investment, and economic stability.

One strand of my research studies, both empirically and theoretically, changes in creditor rights on securities pledged as collateral in secondary markets to document its effects on credit supply, product innovation, and systemic fragility. I study how the Bankruptcy Abuse Prevention and Consumer Protection Act (BAPCPA) of 2005 – which strengthened creditor rights on mortgage-backed assets pledged in wholesale funding markets – increased credit supply in the housing market while simultaneously increasing dealer leverage, mortgage product innovation, and bank run probabilities.

“Creditor Rights, Collateral Reuse, and Credit Supply” (*Journal of Financial Economics*, 2023) traces the origin and transmission of a credit supply expansion from the sale and repurchase, or “repo,” market the primary conduit of funding to the non-bank sector through mortgage intermediaries to households. I show that the 2005 BAPCPA reform generated a money multiplier by enabling dealer-banks to obtain mortgage collateral from mortgage originators at high haircuts on warehouse funding lines and repledge the same collateral at lower haircuts to cash investors. This collateral reuse creates an iterative, geometric expansion in lending capacity, analogous to a fractional reserve multiplier. I show that dealers pass this expanded funding to mortgage companies, which in turn increase credit provision in the primary mortgage market, establishing a clear transmission channel from repo markets to household borrowing. A key implication is that repledging also increases leverage and interconnectedness among dealer-banks, amplifying systemic risk. Overall, the paper identifies the repo safe harbor expansions in BAPCPA as a contributor to the pre-Global Financial Crisis expansion in credit supply and to the buildup of financial system fragility.

“The Impact of Warehouse Collateral Value on Mortgage Originations” (working paper) shows that strengthening creditor rights can spur innovation in the underlying collateral. When recovery values on pledged collateral rise, investors can tolerate greater underlying risk without reducing lending, creating incentives to design more complex products. This paper makes an important contribution showing that strengthening creditor rights can increase downstream product innovation. Exploiting the BAPCPA re-

form, I document a sharp increase in mortgage complexity measured by the number of layered complex features disproportionately in areas more exposed to the policy. I test whether these more complex mortgage products were associated with more sophisticated borrowers, lower interest rate environments, and improved outcomes – consistent with complex products improving risk sharing – or with more vulnerable borrowers, higher interest rate environments, and worse outcomes – consistent with the complexity shrouding risk characteristics. The evidence supports the latter: complex products are more prevalent in high interest rate environments and in minority ZIP codes, and are associated with worse loan performance as well as adverse housing and labor market outcomes.

This work has informed policy discussions. I briefed Senator Elizabeth Warrens Banking Committee on the effects of BAPCPA on mortgage markets and provided written commentary at their request on the March 13, 2026 Executive Order, particularly its interaction with the super-senior bankruptcy status of private-label mortgage repo collateral resulting from BAPCPA. In addition, a major nonbank originator and servicer consulted me on its response to the Basel III rule regarding the treatment of warehouse credit lines, and its impact on credit supply across the credit score distribution.

“Pledgeable Collateral, Dealer Leverage, and Runs” (working paper) joint with Husnu Dalgic and Andrea Modena, develops a model of repo financing and bank runs to study how expanding repo creditor rights affected systemic risk, and provides supporting empirical evidence. I show that dealers with greater repurchaseable collateral at the time of the reform disproportionately increase leverage following BAPCPA, and delever more sharply in downturns, consistent with a collateral-based expansion in debt capacity that raises fragility. The model highlights a central tradeoff: stronger creditor rights improve short-term stability by increasing recoverability of collateral, but reduce longer-term stability by endogenously increasing leverage. Whether overall stability rises or falls depends on contract maturity and asset risk. With short-term repos characteristic of mortgage collateral affected by BAPCPA the leverage channel dominates, increasing the probability of runs, whereas longer maturities or sufficiently high volatility impose discipline that restrains lending and mitigates run risk. The analysis implies that extending safe harbor to short-maturity mortgage collateral perceived as low-risk pre-Global Financial Crisis raised run risk by as much as 30% in the pre-crisis environment. More broadly, the results show that expanding creditor rights in repo markets can offset macroprudential regulation, since banks accumulate leverage both via deposits and their activities in the repo market. If repo leverage is not accounted for in regulated balance sheet categories, changes made to the bankruptcy code can offset macroprudential policy.

This work builds on my paper, **“Bank Leverage Restrictions in General Equilibrium: Solving for Sectoral Value Functions”** (*Journal of Risk and Financial Management*, 2025), which incorporates a leverage constraint into a macroeconomic model with a banking sector, endogenous fire-sale prices, and bank runs. I solve for household welfare by computing the steady-state value function and applying backward induction under state-dependent leverage constraints. The results show that countercyclical leverage

policy tighter in booms and looser in downturns improves welfare, whereas procyclical or poorly timed constraints reduce it. Welfare gains arise primarily from increased financial stability, even as consumption declines relative to the baseline. These findings are consistent with the role of countercyclical capital buffers. The model focuses on a non-risk-weighted constraint akin to the Supplementary Leverage Ratio (SLR), and the results are consistent with the Federal Reserve's temporary relaxation of the SLR during the COVID-19 crisis, and subsequent recalibration, to support credit provision during a recovery.

Extending my work on secondary mortgage markets, my research examines Mortgage Servicing Rights (MSRs). With the advent of securitization, servicing rights are stripped from the rights to the cash flows, and sold as a separate asset, the holder of which is the mortgage servicer. Yet, servicers have discretion in providing liquidity to defaulting borrowers and in shaping investor returns. In **“The Rise of Nonbanks in Servicing Household Debt,”** (4th Round Revise & Resubmit, *Journal of Finance*), with Naser Hamdi, Erica Jiang, Manisha Padi, and Avantika Pal (begun when Avantika was a graduate student at WashU), I trace the impact of macroprudential policies on ordinary borrowers through a mortgage servicing channel. The paper introduces a novel comprehensive database of individual credit registry information, merged with bank balance sheet data, in which we identify transfers of mortgages across servicers. I show that Basel III's treatment of mortgage-servicing rights pushed servicing from banks to nonbanks, contributing to the rise of nonbanks and increasing foreclosures, especially among financially vulnerable subprime borrowers. We create a stylized model of the private market allocation of servicing rights and the optimal rate of foreclosure for investors versus servicers, where there is an intrinsic misalignment in incentives between mortgage investors and servicers. We show that foreclosure rates act as a sufficient statistic for both borrower and investor welfare. Our analysis suggests that Basel III increased incentive alignment between investors and servicers, but at the cost of significant losses to borrower welfare. This is an important contribution because it shows that private market allocation of servicing rights cannot fix the misalignment between servicers, investors, and borrowers and suggests that policy makers – who internalize investor and borrower welfare – can make regulatory changes to reallocate mortgage servicing rights across servicers.

In **“The Cost of Servicing Debt Pools,”** (working paper) with Manisha Padi, Xiyu Wang, and Zhongyu Wang, we document a novel empirical fact: mortgage servicers in pools of securitized debt are overwhelmingly compensated with a uniform fee across loans in the pool. From the perspective of a mortgage servicer, this means that loans with low costs to service are highly lucrative, while loans with high costs to service lose money. We show that this mismatch between servicing fee and servicing cost distorts servicers' incentives and pushes them to foreclose inefficiently on defaulted borrowers, subsequently leading to lower cash flows to investors. This paper makes a significant contribution by showing that uniform servicing fees, while ubiquitous in servicing contracts of securitized debt, harm both borrowers and investors, with borrowers bearing losses more than three times as large as those borne by investors. This paper has garnered attention from both regulators and

industry participants ranging from one of the largest US servicers and originators to a large MBS investor. Xiyu Wang and Zhongyu Wang are finance graduate students who began as research assistants on the project but were added as coauthors due to their outstanding contributions to the work.

In new work on debt servicing contracts, I explore the impact of Government Sponsored Enterprises (GSE) as quasi-regulators of servicers. In this project, I utilize detailed servicing data and study how changes in servicing contract terms, governed by GSE guidelines, affect servicer behavior. This elucidates which elements of the servicer compensation schedules are the most relevant drivers for servicer behavior. This project is an important contribution to the literature which has limited understanding of the optimal debt servicing contract structure despite the prevalence of third-party servicers in the \$13 trillion dollar securitized debt market.

Building on the tools I developed in studying mortgage-backed securities, in **“Regulating Secondary Loan Markets: Evidence from Small Business Lending”** (Revise & Resubmit, *Journal of Financial Economics*) joint with Manisha Padi, I study the securitized debt products composed of small business loans. There is a large and important literature studying what drives firm investment and how secondary market conditions affect firms access to capital. This paper sheds light on this question through the lens of small business lending by showing that changing maturity requirements for loans underlying securitized debt contracts has important real impacts on primary market lending. I use novel FOIA requested data and an instrumented difference-in-differences design to study the Small Business Administration’s (SBA) 2017 tightening of rules governing the debt maturities that can be pooled together. The paper shows that technical rules governing secondary loan-market structure can reduce secondary-market sale prices, shorten loan maturities, lower defaults, and reallocate capital away from industries requiring long-term capital investment. This suggests that the secondary market for debt securities plays an important role in alleviating liquidity frictions for banks, and that changing the difficulty of selling loans into the secondary market can alter credit access in the economy.

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